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S E C R E T SECTION 01 OF 04 KUALA LUMPUR 000490

SIPDIS

PACOM PLEASE PASS TO ADMIRAL BIRD

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TAGS: [MCAP](#) [MARR](#) [MASS](#) [MOPS](#) [PGOV](#) [PREL](#) [PTER](#) [OVIP](#) [MY](#)

SUBJECT: SCENESETTER FOR ADMIRAL BIRD'S VISIT TO MALAYSIA

Classified By: Charge D'Affaires Robert G. Rapson for reasons 1.4 b and d.

Summary and Introduction

11. (C) The Embassy warmly welcomes you to Malaysia. Your visit comes during a transitional period for U.S.-Malaysia relations offering both new opportunities and challenges. After almost three months in office, new Prime Minister Najib Tun Razak is proving to be a more pragmatic and action-oriented leader, and more inclined to move Malaysia away from Mahathir-era antagonism toward the West than his predecessor, Abdullah Badawi. Najib has explicitly endorsed strengthened ties with the United States, and is seen as more open to U.S.-Malaysia military engagement. The Malaysian Military expects him to increase military relations, including weapons procurement. These shifts open new opportunities to identify and work together on a broader range of shared foreign policy priorities. The Embassy has been ramping up engagement on our mil-mil relationship over the past year, though the bilateral naval relationship has had some temporary setbacks over the past few months. Malaysia will be tempted to seek better U.S. relations largely through improved rhetoric; the challenge for us will be to elicit meaningful actions on priorities such as non-proliferation, trafficking in persons, and free trade, and tangible contributions to international institutions such as the IAEA and anti-piracy efforts. Domestically, Najib's recognition that economic reforms are needed to keep Malaysia competitive presents clear opportunities for our trade and investment agenda, but prospects for democratic reforms are uncertain. Against the backdrop of a contracting domestic economy, rising public expectations for better governance, and a resurgent political opposition, Najib will struggle to find ways to regain voter support while maintaining his party's tight control over state levers of power, setting the stage for continued political discord at home. The U.S. classified Malaysia as Tier 3, the worst category, in the annual Trafficking in Persons report released on June 16. End Summary and Introduction.

The Broader Relationship in Place

12. (C) Robust trade and investment ties remain the solid foundation of our relationship, with Malaysia standing as our 16th largest trading partner. Malaysians pragmatically value their defense relationship with the U.S. military. Overall mil-mil engagement has advanced over the last several years, including notable increases in U.S. naval visits and professional exchanges. Malaysia actively contributes to UN peace-keeping and is positioning itself as a regional humanitarian response hub. We have successfully fostered a partnership between our coast guards. The GOM has been an

important partner on counterterrorism when it serves Malaysia's own security interests, and we enjoy expanding law enforcement cooperation, especially in recent times as we have engineered means of overcoming Guantanamo-related issues. Our people-to-people ties build on decades of Malaysian students studying in America. The emergence of new administrations in both our countries provides expanded opportunities to pursue vigorous public outreach too often skeptical Muslim Malay audiences. Given its biodiversity, we have included Malaysia in regional environmental initiatives to protect rainforests and coral reefs. Modest levels of carefully targeted foreign assistance help us leverage our policy priorities.

Najib, Ministers Seek Better U.S.-Malaysia Ties

13. (S) Malaysia's new Prime Minister Najib Razak recently dispatched his Foreign Minister Anifah Aman to meet with Secretary Clinton on May 14, the first official visit to Washington by a Malaysian Foreign Minister in nearly eight years. Anifah's early mission to Washington signals the priority Najib places on improving U.S.-Malaysia ties. The introductory meeting between Secretary Clinton and Foreign Minister Anifah highlighted the opportunity for deeper bilateral relations and reviewed policy priorities including non-proliferation, piracy, trafficking in persons, Middle East peace and aid to Afghanistan. In sharp contrast to his predecessor, Anifah appears eager to discuss ways to work positively with us on international challenges like piracy and Afghanistan.

KUALA LUMP 00000490 002 OF 004

14. (S) Anifah and Defense Minister Ahmad Zahid Hamidi are new to the world stage and we expect Najib to have a far larger and more direct influence on foreign and defense policy than did his predecessor Abdullah. Compared with Abdullah, Najib has a more complete sense of international politics and Malaysia's place in the region and the world, and places significant priority on foreign relations beyond the Non-Aligned Movement (NAM) and the Organization of the Islamic Conference (OIC), the traditional reference points for Malaysia's foreign policy. It would be inapt to describe Najib as pro-West, but the UK-educated Prime Minister readily recognizes the benefits to Malaysia of engaging the U.S., along with the emerging powers China and India, and of participating in international institutions.

15. (S) Minister Zahid met with Ambassador Keith on May 11 and emphasized Malaysia's desire to strengthen our bilateral military relationship. The Ambassador and the Defense Minister focused on Malaysia's role in anti-piracy, UN peacekeeping, and Malaysia's intention to become a regional disaster relief/humanitarian assistance hub, and Malaysia's potential assistance to Afghanistan. Zahid expressed hope that a compromise, possibly involving cost-sharing, could be achieved in the near-term regarding commercial port fees charged U.S. naval vessels, but he was uncertain of the long-term solution. Zahid commented that Malaysia was watching China closely, especially in the South China Sea, but also encouraged broad U.S. engagement with China. Minister Zahid also met with Assistant Secretary of Defense Wallace Gregson at the recent Shangri-La dialogue in late May. Zahid thanked us for the advancements made possible through our 1206 program, and agreed in principle that Malaysia should increase its mil-mil cooperation in U.S.-led exercises by moving from being an observer to becoming an active participant. Zahid also confirmed that Malaysia will participate in the upcoming Malaysia-U.S. Strategic Talks (MUSST) in August, which will be held in Washington.

Foreign Policy: Potential for More Meaningful Actions

16. (S) While Malaysia is unlikely to change dramatically its

traditional NAM-centric approach to foreign policy (which leads Malaysia to vote opposite the U.S. position on almost all important UN issues), there are prospects for identifying and working together over time on a greater number of shared foreign policy priorities. Malaysia will be tempted to seek better relations with us largely through improved rhetoric and increased contacts; the challenge for us is to elicit meaningful actions on issues that matter to us such as non-proliferation, Iran's nuclear program, trafficking in persons, free trade, and support for international institutions. U.S. support for Malaysia joining the Somalia anti-piracy Contact Group represents a useful start to moving Malaysia toward more engagement in multilateral security structures. Malaysia is a leading member of ASEAN, and could play a positive role (or act as a spoiler) in Southeast Asian conflict resolution and ASEAN's approach to Burma.

Defense Relationship

17. (C) Military-to-military engagement has improved significantly over the last several years, as demonstrated by significant increases in U.S. Naval visits and professional exchanges despite recent temporary setbacks over port fees. We recently completed our 25th U.S.-Malaysia Bilateral Training and Consultative Group (BITACG) meeting, which laid out detailed plans for further cooperation in MIL-MIL cooperation, coordination, and training. In 2008 there were 26 US Navy ship visits to Malaysian ports and 22 visits in 2007, up from only five ship visits in 2003, but it is important to note that very little, if any, mil-mil engagement is taking place during these visits. However, the inclusion of 12 PASSEX events in the recent BITACG discussions, a first, will ensure that actually mil-mil engagement is executed in the future. The August MUSST meeting in Washington will deepen our bilateral defense coordination. Inter-agency engagement has also increased with the newly formed Malaysian Maritime Enforcement Agency (MMEA), which enjoys a growing partnership with the U.S. Coast Guard. The Malaysian armed forces have prioritized security in the tri-border area shared with the Philippines and Indonesia. The U.S. is assisting with the provision of coastal radars and related systems, along with training, to strengthen maritime border security. Despite sensitivity to U.S. involvement in Sabah, military engagement for

KUALA LUMP 00000490 003 OF 004

counter-terrorism is led by Special Operations Forces and focuses on ground close quarter combat training, and maritime non-compliant boarding. Priority of effort is with the police as the lead CT agency, followed by the military and then MMEA. Special Operations Forces also participate in some counter narcotics training of Malaysian Field Forces, Maritime Operations Forces, and customs officers. (Comment: the U.S. and Malaysia have different motives for these interactions. Our goal is to increase Malaysian counter-terrorism capabilities; conversely, the Malaysians regard our engagement as free training, and not necessarily because they see a terrorist threat. End Comment.)

CT; Law Enforcement; Regional Challenges

18. (S) We continue to benefit from close counterterrorism and law enforcement cooperation, although details are closely held. Early round-ups in 2001-2002 of scores of Jemaah Islamiyah (JI) suspects helped ensure there have been no terrorist attacks here. However, Malaysian extremists still have some capability to support JI operations elsewhere. Two Malaysians were among the 14 high value U.S. detainees transferred to Guantanamo in 2006; Malaysia has a pending request for their return. Growing political pressure to do away with preventative detention laws will pose a long-term challenge to Malaysian law enforcement, which is overly reliant on an intelligence approach to CT and has yet to prosecute any terrorism cases. Our Mutual Legal Assistance

Treaty with Malaysia went into effect in January. Malaysia has cooperated with Thailand regarding the insurgency in southern Thailand, but acknowledges that the problem is foremost an internal Thai political challenge. Malaysia has also played a role in facilitating the peace process between the Philippine Government and the MILF in the southern islands, though Malaysian efforts at times appear biased in favor of the Muslim insurgents. Malaysia withdrew its contingent for the International Monitoring Team in Mindanao in 2008.

Global Financial Crisis and Economic Reforms

¶9. (SBU) Malaysia's economy is in recession and its Central Bank does not expect the economy to rebound until the fourth quarter of 2009, primarily because of the continuing decline in exports. Malaysia issued two fiscal stimulus packages worth a total of USD 19 billion so far and has signaled it would do more if needed. The stakes are high. For his political future, Najib must ensure that the economy continues to provide growth and prosperity to a large middle class. Najib's recognition that economic reforms are needed to keep Malaysia competitive presents clear opportunities for our trade and investment agenda. Last month he announced reforms in the services sector to some race-based equity requirements, long considered by analysts to be the bane of economic growth. The PM also announced some liberalization in the financial services sector. Though of limited immediate economic impact, these reforms send a powerful message that ethnic Malays increasingly will have to compete on a level playing field with other races in Malaysia, and, perhaps over time, with foreign competitors. Malaysia continues to signal its desire to continue negotiating a bilateral Free Trade Agreement which got underway in 2006; although the new trade minister has expressed an interest in achieving an agreement, significant obstacles remain. Minister Mustapa is expected to raise the future of the FTA with USTR Kirk on the margins of the Cairns Group meeting in Bali this week.

Political Discord at Home

¶10. (S) Najib came to power in the midst of uncharacteristic domestic political discord that raises long-term questions regarding the continued dominance of his ruling UMNO party, which has held power since independence in 1957. Najib must contend with rising public expectations for better governance and a resurgent political opposition. More so than on the economic front, Najib will find it difficult to identify and implement popular political reform measures while still maintaining UMNO's tight control over state levers of power. With a weakened ruling coalition, an immature opposition, and a more sophisticated electorate with access to greater information, Malaysia's polity is struggling to adjust to a new and more competitive political environment. At present this generates a situation of friction and some discord, but

KUALA LUMP 00000490 004 OF 004

over the long term Malaysia should find itself with a system of greater checks and balances, and a stronger democracy. The July trial of opposition leader Anwar Ibrahim, accused of sodomy in a politically-motivated prosecution, is expected to generate some political friction domestically and internationally.

¶11. (SBU) On June 16, the U.S. released the 2009 Trafficking in Persons report, which classifies Malaysia as a Tier 3 country, the lowest rating possible, for lack of significant efforts to combat human trafficking. Tier 3 carries with it the possibility of U.S. sanctions (or a Presidential waiver of sanctions) on non-humanitarian and non-trade related assistance. We are urging Malaysia to take law enforcement actions under its comprehensive anti-trafficking law particularly in the areas of labor trafficking and

trafficking of Burmese refugees.
RAPSON